

Minutes for the Utah Association of Counties Insurance Mutual

**March 26, 1993
Salt Lake Capitol
Room 405**

The following were in attendance: Gary Herbert, Utah County Commissioner; Gerald Hess, Davis County Attorney's Office; Dixie Thompson, Emery County Commissioner; Dennis Ewing, Tooele County Clerk; Kenneth Brown, Rich County Commissioner; Sidney Groll, Cache County Sheriff; Gary Sullivan, Beaver County Commissioner; Max Adams, Uintah County Commissioner; Ty Lewis, San Juan County Commissioner; Brent Gardner, UACIM Administrator; Dave Nelson, Loss Prevention Manager; Harry Bowes, Consultant; Bill T. Peters, Attorney for UACIM; Kent Sundberg, Chairman, Litigation Management Committee; Jess Hurtado, Broker; Doug Alexander, Rollins Claims Manager.

APPROVAL OF MINUTES

Commissioner Dixie Thompson made the motion for approval of the minutes from the January 13, 1993 UACIM Board Meeting. Dennis Ewing seconded the motion and the motion passed unanimously.

EXECUTIVE MEETING

Commissioner Thompson motioned that the board be adjourned into an executive session. Commissioner Max Adams seconded the motion, and the motion passed unanimously.

Executive Session

Executive session adjourned, UACIM Board Meeting commenced.

CONSULTANT'S REPORT

Harry Bowes passed out an article regarding a lawsuit in Colorado between two of the counties in Colorado and the Colorado Counties, Inc. Insurance Pooling Services. This article was written by an attorney who was involved with the lawsuit and suggested practices that could be used by other state mutuals to avoid lawsuits.

Mr. Bowes suggested that the Inverse Condemnation Policy that was passed in November be passed out along with the minutes from the November Board meeting.

Another suggestion by Mr. Bowes was to catalog all decisions made by the board for easy reference at later dates. This brought up the statement that the board had not

made an official decision to not raise county premiums. This is an example of why it would be a good idea to catalog the official decisions.

Commissioner Thompson stated that Emery County has an official who is questioning the solvency of the Mutual and is asking for bids from other insurance companies, including PENCO.

Sidney Groll pointed out that the counties can find a lower cost insurance, but the services that would be offered would be less than what the Mutual is doing for the counties.

LITIGATION MANAGEMENT COMMITTEE REPORT - LAND USE ISSUES

Kent Sundberg, Chairman of the Litigation Management Committee, stated that the board had met on March 15, and recommended that the board adopt the draft for coverage as Civil Rights coverage.

Jess Hurtado stated that the letters announcing the Eminent Domain/Inverse Condemnation Policy are ready to be mailed out to the county contacts with a copy to the commission chairman.

BROKER REPORT

Surety Bond

Jess Hurtado handed out a sample copy of a Surety Bond to the board. Jess would like to have the board determine if the Mutual wants to build this into their coverage.

Commissioner Adams made the motion to let the board take the time between now and the Spring Conference in April to look over the coverage and then decide the action to take at the April Board meeting. This was seconded by Commissioner Ken Brown. The motion passed unanimously. This item was tabled until the April meeting.

Rodeo Program and Special Events

Mr. Hurtado then discussed two types of ancillary coverage for the Pool:

1. Tulip Coverage - provide insurance coverage to third parties using county facilities.
2. Rodeo Coverage - written on individual basis.

Tulip coverage:

The application would be filled out by the third party through the county, send in a check with the application, and AON would send out a certificate of coverage.

Commissioner Ken Brown stated a question wondering if the facilities had to be leased or if they could still have the coverage if the facilities are being used at no charge. Mr. Hurtado replied that they could have the coverage either way, but the coverage would have to be paid for in both cases.

Harry Bowes feels that this coverage is a must for all counties.

Commissioner Thompson raised a concern that the county would look bad if they said no to an event simply because the event could not afford the coverage. Other commissioners in the room stated that they usually have no problem saying no if the user does not have insurance. It is a safety precaution.

Along with the sample coverage policy that was handed out, there was a sample listing of people who may be interested in purchasing the insurance through the county when using the county facilities.

The tulip program, however, does need to be underwritten, and Mr. Hurtado wondered if the board would like him to continue with this coverage for the Mutual.

The rodeo coverage is either buy or don't buy. It is a standard coverage and does not need to be underwritten. It is available to all at the counties option.

Commissioner Max Adams made the motion to have Mr. Hurtado pursue this and have it included in the Mutual coverage. Dennis Ewing seconded the motion and the motion passed unanimously.

Special Districts

A letter is going out to all counties who have not responded to the previous requests for a listing of special districts stating that it is the assumption of the board that the county does not have any special districts. Commissioner Ty Lewis requested a copy of the original request and form.

The Special District policy was tabled until the April meeting when we have all the information from the counties.

Worker's Compensation

A second request is going out from AON for a survey from each county on the need for worker's comp. Mr. Hurtado should have this information in form for the April meeting.

Commissioner Gary Sullivan and Commissioner Ty Lewis requested copies of the survey form.

Review - Rating Formula - Sample

Mr. Hurtado handed out a sample rating formula from another mutual for the board to consider. Brent Gardner stated that the UAC Insurance Mutual Board needs to create a committee to look at the rating formula, and this committee needs to be formed within the next month or two.

Mr. Hurtado then discussed the formula rating with the Board.

The formulation of a Rating Formula Committee has been tabled for the April meeting.

CLAIMS REPORT

Doug Alexander discussed a claim that came through for Iron County. A Cedar City water line broke, flooding a county building. The county has asked the board for an advance to help with the cleanup. Mr. Alexander is certain that the city will be the final payee and recommended that the board advance the money, and the Mutual will be reimbursed by Cedar City.

Commissioner Thompson moved for the disbursement of the advance. Sid Groll seconded the motion and the motion passed unanimously.

A Civil Rights claim in San Juan county was then discussed. Mr. Alexander is certain that if the Mutual allows the attorneys to fight this case full force, the Mutual can win and nothing will have to be paid out.

Commissioner Thompson motioned for the approval to defend San Juan County all the way. Dennis Ewing seconded the motion, and the motion passed unanimously.

An ADA claim has been filed in Sanpete County, and Mr. Alexander recommends that the attorneys move for dismissal. Commissioner Adams motioned for a move for dismissal. Commissioner Thompson seconded the motion and the motion passed unanimously.

BROKERAGE/TPA CONTRACT

Mr. Hurtado stated that the contracts have been long in coming, but the Formulation Agreement is ready to be signed. The formulation agreement will be signed by Utah Association of Counties. Then UAC will send out a letter stating that the contract has been signed and everything has been taken care of. Brent Gardner will take the agreement to the UAC Board meeting in April, where they will sign the contract.

The Service agreement has taken three agreements and combined them into one agreement.

Gerald Hess asked about the costs in addendum 5 on the agreement, and wondered how firm those numbers were. He pointed out that in Addendum 1, the cost was \$200,000 and in Addendum 5, the cost was \$235,000, and wondered what the difference was.

Mr. Hurtado explained that in the last board meeting, he had broken down the claims costs of actual costs. These added up to about \$270,000, and was budgeted to be \$250,000. This year, the costs has been set at \$235,000 to break even. There were 259 claims in 1992 as well as some one time costs that added up to the \$275,000.

Commissioner Gary Herbert asked how much of the \$275,000 was set-up fee's and how much of it is fixed costs. Commissioner Herbert requested from Mr. Hurtado a breakdown of all the costs. Mr. Hurtado stated that he could get that and get a copy out to the board members in time to go over the figures and discuss them in the April meeting.

Mr. Hurtado would like to get the board a copy of the agreement and the breakdown as soon as possible in order to answer all questions and get the agreement cleaned-up in order to have it ready for a vote and signature by the April meeting.

Harry Bowes questioned a line in the agreement on Page 7, Article 7 about commission received by RHH regarding excess insurance. Mr. Hurtado explained that the aggregate endorsement is in excess. The entities of the original three contracts have been combined into AON, and that is why contracts have been combined into one. The contracts can be broken into three if that is what the board would like.

Commissioner Ken Brown moved that this topic be tabled until the April meeting. Gerald Hess seconded and the motion passed unanimously.

The Brokerage/TPA agreement will be discussed at the April Board of Directors meeting.

LOSS SUMMARY YTD

The loss report summary was mailed out prior to the board meeting. Brent Gardner briefly discussed the loss report summary.

RISK REVIEW

David Nelson handed out a copy of the UACIM Loss Prevention schedule and goals.

Commissioner Ty Lewis questioned Mr. Nelson on the cost of the Personnel seminar, and raised a concern over the cost of the seminar. He wondered if the seminar should be free to those who were members of the Mutual.

Brent Gardner explained that all costs for the seminar, except for a portion of the meal cost, was paid for by UACIM. Mr. Lewis felt if that was the case, then the charges were appropriate.

SEMI-ANNUAL MEMBERSHIP MEETING

The Semi-Annual Membership Meeting is April 14, 1993, in at 5:00-6:00 p.m. in Cedar City. This meeting is directly following the Board of Directors meeting at 3:00-5:00 p.m..

JAIL STANDARDS

Sidney Groll, Deputy Epton, Dave Nelson, and Brent Gardner researched for some national jail standards, and came up empty. The mutual is going to create their own set of jail standards with the help of the counties.

On March 31, 1993, there is a meeting with Jail Commanders. Mr. Groll will proceed with other sheriff's to begin creating the list of standards. Mr. Groll will take the direction of the board regarding jail standards to the March 31st meeting.

OTHER ITEMS

Financial Report

Brent Gardner sent a handout around the room with the 1993 budget figures on them. The board discussed the budget.

Policy Manual

A policy manual will be prepared for each participating county in the Mutual. This manual will be ready for disbursement at the April conference.

April Agenda

Charging interest on delinquent premium payments.
Special Improvement Districts

Commissioner Gary Herbert adjourned the meeting.

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EXECUTIVE SESSION

**March 26, 1993
Salt Lake Capitol
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CONSULTANT REPORT

Harry Bowes feels that the UACIM Board of Directors has not maximized his talents. He feels that the board is in need of some administrative help, and he is able to provide that if the board allows him to do so and gives him some direction.

Harry handed out a copy of an article from the newsletter Government Risk Management Report. This article was regarding the situation in Colorado last year between two of the Colorado counties and the CCI Insurance Pool Services. Highlighted were some areas that Harry felt would be of interest to the board. He emphasized that the boards work and minutes need to be documented and well checked over and then stored all together.

Harry also has concerns over the contracts with Rollins (AON). He sees changes in the direction from Rollins. He handed out a memo regarding the specific changes that he is concerned about. He states that two years in completing a contract with Rollins is unacceptable. His concerns include the direction of the contract and specifically, with the combining of the Brokerage and Third Party agreements. He feels that if Rollins bundles services together, this takes away from the control of the UACIM board.

Some additional concerns Harry has are:

1. Inverse Condemnation/Eminent Domain Contract
2. Premium Delinquencies - Start collection policy

3. Spending too much time reviewing small claims - was good idea to change from reviewing \$5,000 claims to \$10,000 claims.
4. Negotiating contracts - Rollins Mngmt Services is too high priced - \$25,000 Third Party Agreement - \$200,000 may not be unacceptable, but it is not a good move to go to \$235,000. There were 258 claims in 1992, and to move to \$235,000 in 1993 is paying too much per claim. Harry has broken down the amount paid per claim in Colorado and feels that UACIM is paying too much per claim.

Dixie Thompson questioned whether Harry felt that Rollins was using the Mutual. Harry stated that they are not using the Mutual, but rather, taking advantage of the Mutual. Harry also pointed out that this had nothing to do with Jess Hurtado, but rather with the corporate policy.

Harry also stated that the quote of \$15,000 from Rollins for the actuarial was way out of line. Other actuarial services were quoting \$6,000-\$7,000. Harry called Rollins to let them know of the amount of the other bids and felt that theirs was too high. Brent Gardner then received a phone call from Rollins after Harry called them, giving him a second quote of \$6,200 for the actuarial.

Another concern that Harry has is regarding the Mutual's paperwork organization. He is afraid that somewhere, someone will start questioning items, and asking to see the Board of Director minutes and if this is not all organized and under control, it can hurt the Mutual. The Board needs to get more help and expertise.

Commissioner Gary Sullivan wondered why no one brought up the costs of the contracts in the beginning of the Mutual. Harry answered him by stating that the change in mutual leadership has caused a delay, allowing Rollins to take control and take over the administrative duties. Because of the changes, no one is at fault, it just happened, and now needs to be controlled.

Commissioner Thompson stated that the board has been waiting for the contract and for some direction.

Gerald Hess had the impression that the negotiating on the contracts was down to the last language and a signature, and that Harry had negotiated most of the Brokerage Agreement. All Rollins had done was take the three agreements and combine them into one and could easily be broken down into three separate agreements. But now Gerald is sensing from Harry that he was not involved even though the board was under the impression that he was very involved.

Harry responded that he was left out of sections of the negotiating. Before the contracts are signed, however, Harry wants to look at past contracts for the higher costs of accounting and claims. Also, with the combining of the three contracts, it may read the same, but he does not think that it is.

Gerald Hess indicated that before, there were four separate contracts, and now all the parts have come together as one whole, and the language was left the same. But Harry feels that if the board allows Rollins to combine contracts, the board is compromising itself and removing its options.

Gerald Hess noted that the real fear is to do nothing and let the contract roll into 1994. If the board does not like something, then it needs to be changed in 1994 renegotiations.

Commissioner Max Adams questioned a phrase in Harry's memo stating that the Mutual is losing management control, and asked Harry to explain that statement. It was Max's assumption that Rollins is the manager, therefore, where is the problem.

Harry indicated that his understanding is that the board is the management. He feels that the language in the 1991 contract added by Rollins puts the board in a different light. He thinks that the Mutual could have someone besides Rollins do its accounting, to give the board more control. It isn't that it is bad to have Rollins do the accounting, it is just a bit more loss of control.

Brent Gardner indicated that if the Association were to handle the management, a team would have to be put together, and this was contemplated, but not achieved with the lack of funding. He felt that Harry was to help with the managing. The board does not have the expertise to negotiate the contracts, therefore, the contracts just happened to the best of the boards knowledge. The board was relying on Harry to help in this area.

Commissioner Ty Lewis stated that the board is the quarterback on this team, and they rely on the staff to give them the best information in order to play the best part.

Commissioner Max Adams feels that the board needs to have someone with the expertise and time to help take the board to where they want to go. The board felt that they need to appoint a full time administrator with the expertise to help negotiate the contracts and keep the board in control.

Commissioner Gary Herbert held some discussion on Harry's role. Harry is concerned about being paid less and not able to help the board to his full potential. The board is concerned of what Harry is doing for his pay. Commissioner Herbert would like the board to look at other options and questioned the board if they felt the Mutual needs a full-time manager instead of Rollins being the manager.

Commissioner Adams questioned Harry if he was interested. Harry replied only if the board was interested in him taking the position.

The board questioned Brent Gardner if there was money in the budget for a full time administrator. Brent noted that there is money set aside for consulting, but the best option would be to continue with Harry as he is now, and budget in for an administrator in 1994's budget planning.

Jerry Hess pointed out that the board has not signed any agreement with Rollins, therefore, the board can make changes to the agreement. Bill Peters noted that although we have paid one of the quarterly installments, because the board has not signed an agreement, we could change the schedule of payment and fees, if the board decides to change the agreement.

Commissioner Thompson expressed a concern with the board being so new and not able make the decisions without some expertise. Commissioner Ty Lewis wondered what Harry's proposal was. Harry concluded that he didn't want to make a proposal, but to give the board an idea, his overhead was somewhere between \$24,000-\$36,000 a year.

Harry Bowes exited the room.

Brent Gardner feels that it is not good business to renegotiate a contract in the middle, and states that the 1993 budget is able to squeeze out enough this year to keep Harry working with us in the same capacity as in 1992. Then renegotiate Harry's contract if that is what the board feels is appropriate.

Commissioner Herbert suggested that the board look at three thing:

- 1) Do we need someone?
- 2) If yes, is that someone Harry Bowes?
- 3) Payment.

Sid Groll indicated that he was confused with Harry's presentation, where at the beginning, he stated that he has been overpaid in past years, and yet this year he wants more. Gary Herbert summarized the statement to mean Harry feels he is being paid quarterback wages, but not used as the quarterback, and now he wants to be used as the quarterback, and get paid appropriately for that position.

Brent let the board know that Harry was paid \$28,000 in 1992, and they are still in the process of negotiating a contract for 1993.

Commissioner Lewis suggested an incentive bonus if Harry can get the board into a position to negotiate their own contracts.

Commissioner Thompson wondered if the Mutual was bound by their contract to Rollins. Bill Peters indicated that the board is negotiating in good faith and have paid the first payment on the schedule. But there is no signed brokerage agreement. Commissioner Lewis stated that the board does not want to cut Rollins off, just

renegotiate the contract. Gerald Hess has his concerns on this because he was under the impression that the contract was being negotiated by Harry, when Harry stated earlier that it was not.

Commissioner Herbert asked the board if the Mutual needs someone for the administrator position.

Gerald Hess wondered what the job description for an administrator would entail. Other members of the board felt that it would be a part time job, and was imperative that the board have a job description made up for the position.

Bill Peters suggested that Harry has a good understanding and may be the person to let the board know how to operate the Mutual. The board felt that Harry would take the position with direction from the board.

Dennis Ewing would like to see the board use Harry to his best potential, but would like to have a few items from him before the position is offered to him such as, a job description, hours that the position would take and hours that Harry would spend, and how much time Workers Comp will take. Then have Harry go back to Rollins in Chicago to negotiate for 1994 contracts. The board feels that if they give him a direction, he is very capable and experiences and will be able to accomplish the boards goals.

Commissioner Ken Brown asked if the contract with Rollins is prepared. Upon the affirmative answer that it was prepared, he wondered if the board will want to have Harry follow-through with the contract for the board.

The board felt they would like to go with Harry for this year as the advisor for the board, but were a bit concerned with Harry's accessibility. The board would like Harry to give a proposal and job description discussing 1) hours, 2) accessibility, 3) goals, and 4) reporting, by the April board meeting. The general feeling of the board is that there is not enough time to get someone else on deck for this year, therefore, offer the position to Harry for this year.

The board feels they have not communicated well with Harry and that this has been a learning process for all.

Harry Bowes entered the room.

Commissioner Gary Herbert stated that the board appreciated the information and counsel that Harry has provided them, and that they are still a new board and are in the learning process.

The board agrees with Harry on the need to have someone with the expertise and knowledge needed to negotiate future contracts with Rollins. Therefore, they would

like from Harry, a proposal by the April 14 board meeting in Cedar City stating: 1) hours spent, 2) accessibility, 3) goals for contracts, and 4) price. Dennis Ewing then requested that the proposal be out a week before the conference for the board to review before the board meeting.

Commissioner Max Adams motioned directing Harry to write a proposal to be submitted to the board one week before the April 14-16 seminar. The motion was seconded by Commissioner Dixie Thompson and passed unanimously.

Harry stated that he would have the proposal ready.

This item will be on the April 14 agenda.

Commissioner Gary Herbert then adjourned the board into regular board meeting.

UAC Insurance Mutual Board of Directors

**March 26, 1993
2:00 p.m.
State Capitol, Room 405
Salt Lake City, UT 84114**

AGENDA

1. Review and Approval of Minutes
2. Consultant's Report
3. Brokerage/TPA Contract
4. Litigation Management Committee Report - Land Use Issues
5. Broker Report
 - a) Surety Bond Program
 - b) Rodeo Program
 - c) Special Events
 - d) Special Districts - Policy Statement
 - e) Workers' Compensation Survey Report
 - f) Review - Rating Formula - Sample
6. Claims Report
7. Loss Summary - YTD
8. Follow-up on Risk Review
9. Semi-Annual Membership Meeting
10. Jail Standards
11. Other Items

Attendance Roster

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